



POTOMAC
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WASHINGTON, D.C.

APRIL 2023



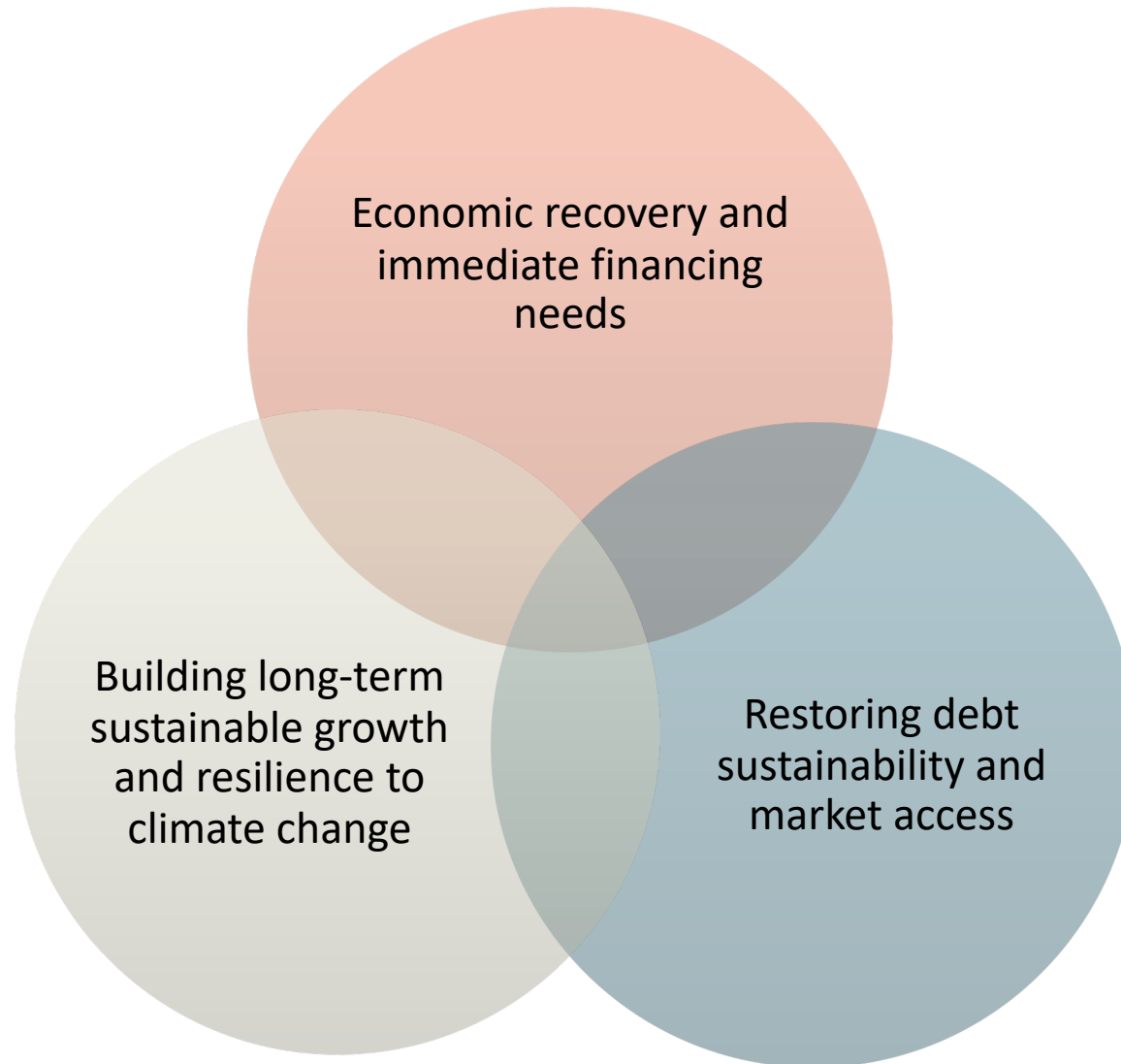
THE COMMONWEALTH

SEMINAR ON INNOVATIVE DEBT RESTRUCTURING
SOLUTIONS

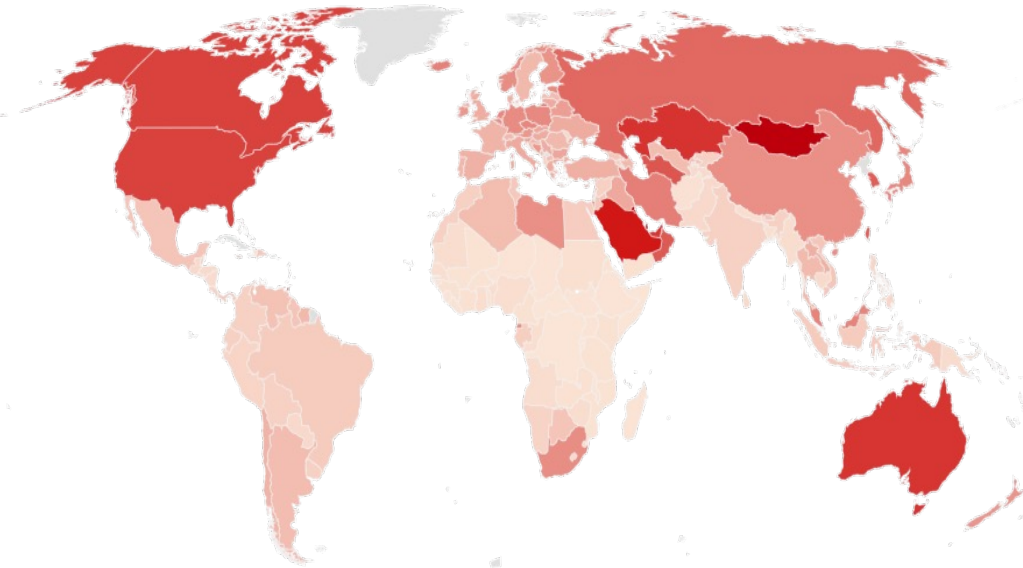
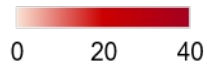
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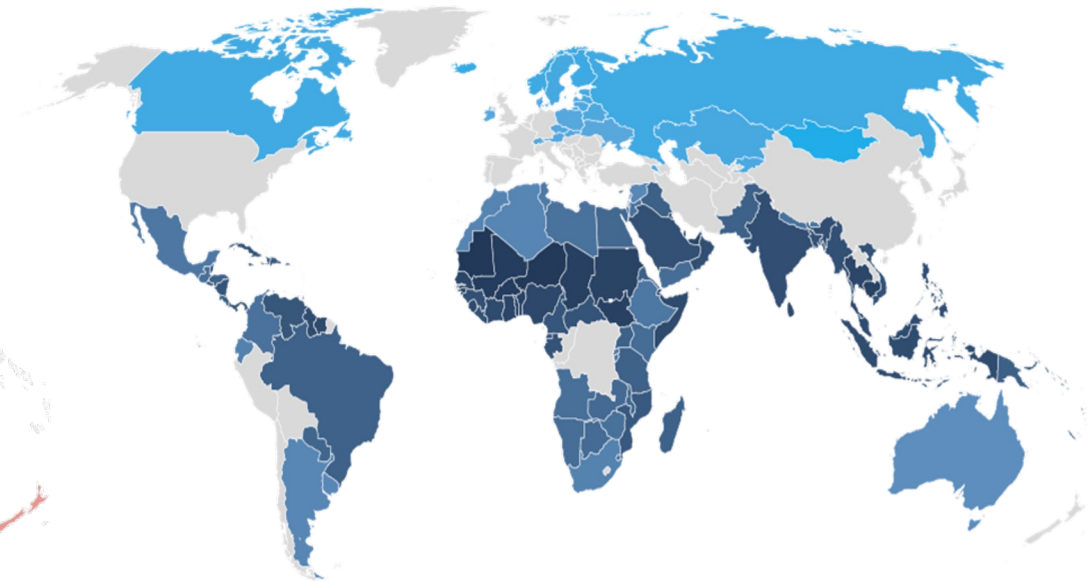
- I. Understanding the global context
- II. Building resilience and sustainability
- III. Unpacking the fundamentals of a debt-for-nature swap



ANNUAL PER CAPITA CO2 EMISSIONS (TONS)



CLIMATE VULNERABILITIES: EFFECT OF 1C TEMPERATURE INCREASE ON REAL OUTPUT PER CAPITA (IN PERCENTAGE POINTS)

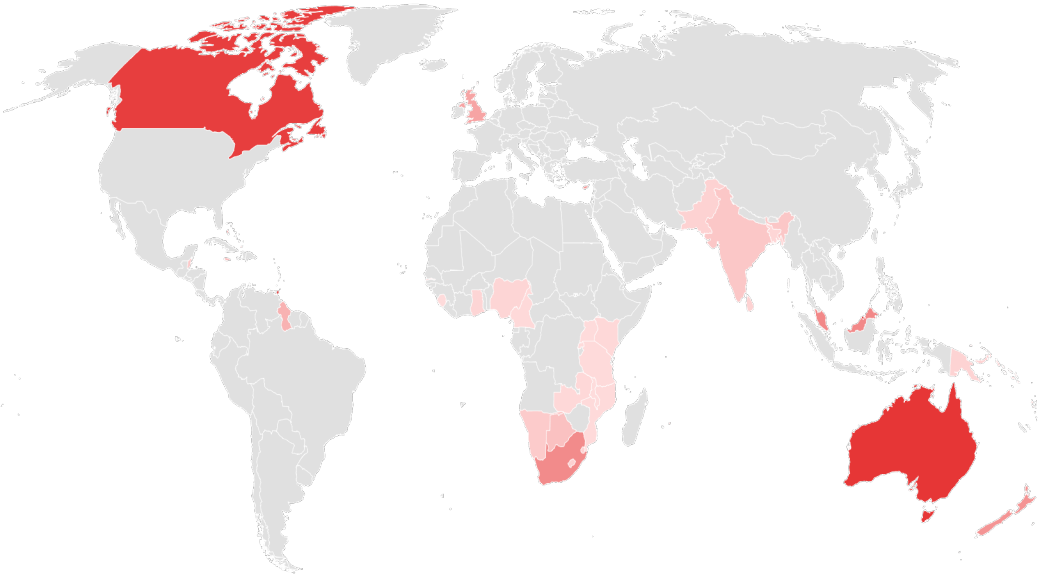
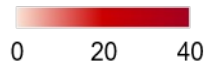


Source: Our World in Data (OWID) & IMF World Economic Outlook (October 2017)

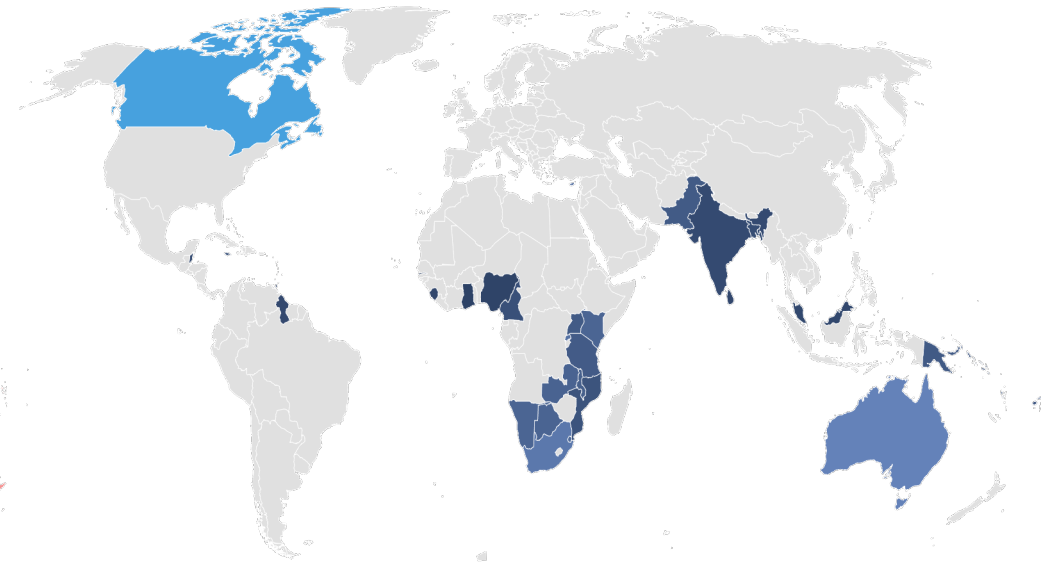
THE COMMONWEALTH SOUTH IS INCREASINGLY VULNERABLE DESPITE LOWER CONTRIBUTION TO CLIMATE CHANGE

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ANNUAL PER CAPITA CO2 EMISSIONS (TONS)



CLIMATE VULNERABILITIES: EFFECT OF 1C TEMPERATURE INCREASE ON REAL OUTPUT PER CAPITA (IN PERCENTAGE POINTS)



Source: Our World in Data (OWID) & IMF World Economic Outlook (October 2017)

COMMONWEALTH RISK MATRIX

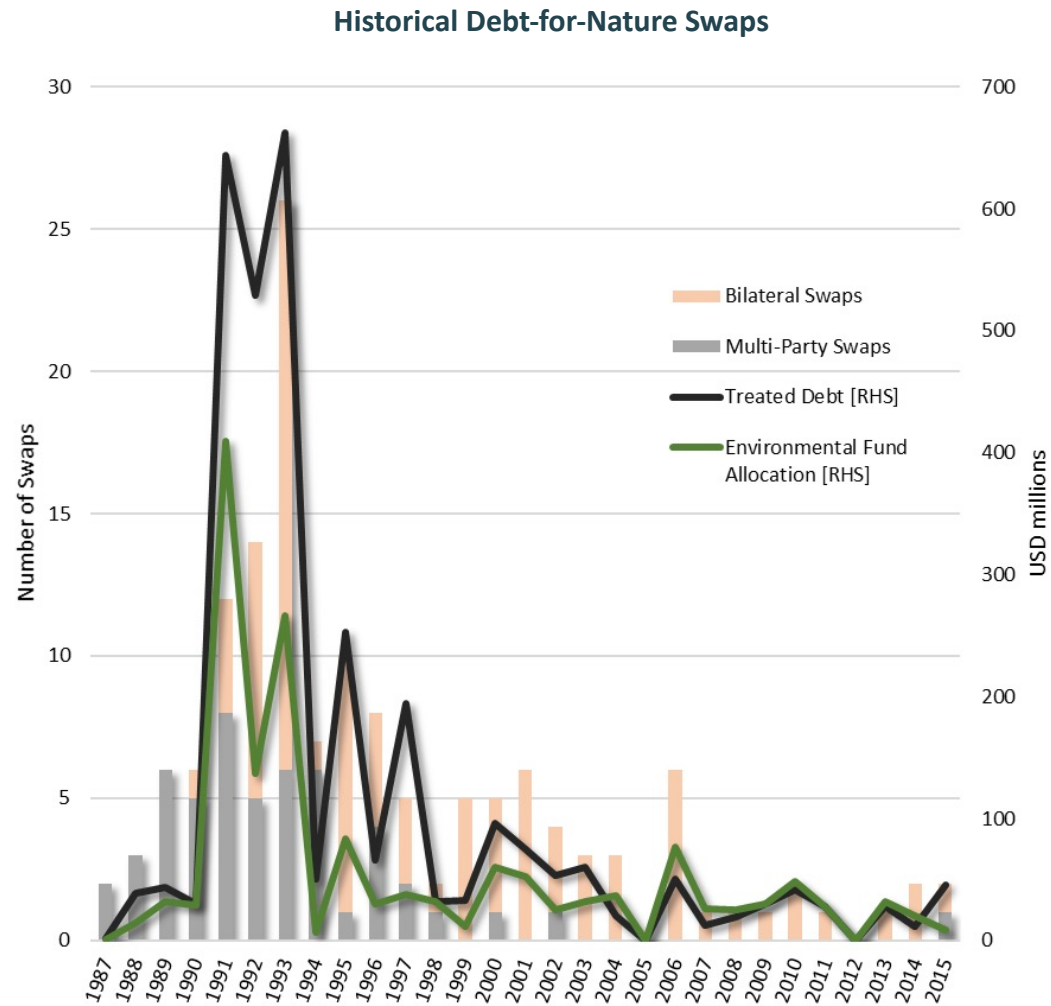


Source: Thomson Reuters Refinitiv; IMF Article IVs; IMF-World Bank Joint LIC External Debt Distress Database; UNCTAD & Author's Calculations

Note: Figure is based on the concept highlighted in the UNCTAD blog, ["Global debt and climate crises are intertwined: Here's how to tackle both"](#), published on March 1, 2023 and adapted to Commonwealth member nations

DEBT-FOR-NATURE SWAPS – HISTORICAL PERSPECTIVE

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Sources: WWF; Congressional Research Service (Sheikh, 2018); USAID, Kamel and Tooma, 2005; Cassimon, Essers, and Fauzi, 2014; PROFONANPE, Egolf, 2001; TNC



DEBT SWAPS

- Debt for “something” swaps
- Debt swaps exchange existing debt, usually at a significant discount, for commitments to invest in climate and nature outcomes.



GREEN BONDS

- Use of proceeds bonds
- Green Bonds – or Blue Bonds or SDG Bonds - are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects.



SOVEREIGN SLB

- Performance-linked bonds
- SLB proceeds would be primarily for the general purposes of a sovereign issuer in pursuit of identified Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs).

Grants

Green & themed
debt instruments

Sustainability-linked debt
instruments

Carbon markets &
Biodiversity markets



Governments

- Development plan based on “green” and “blue” economies
- Taskforce with clear objectives
- Confirmation of goals and commitments to conservation
- Alignment of financial and environmental objectives



Market

- Bondholders
- Local/global creditors and investors
- Credit rating agencies



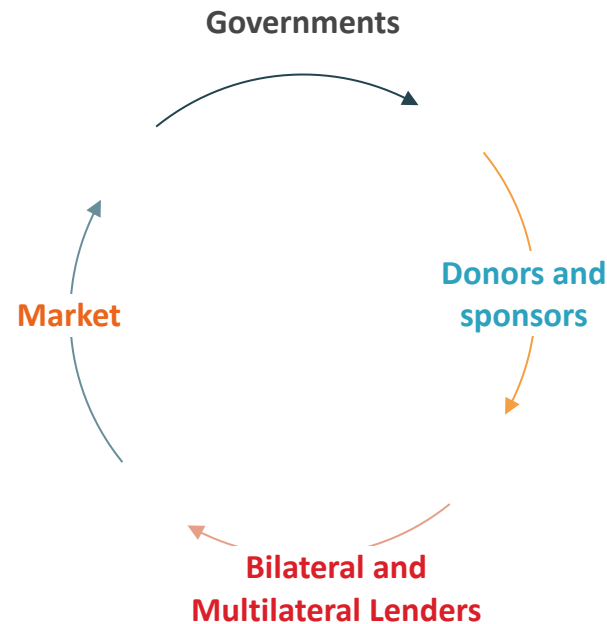
Donors and sponsors

- Capacity building
- Technical assistance
- Grants
- Credit enhancement
- Blended finance instruments



Bilateral and Multilateral Lenders

- Bilateral partners, including Paris Club members and non-Paris Club members
- World Bank, regional development banks and others
- Credit guarantees
- Political risk insurance
- Grants or “pay for performance”

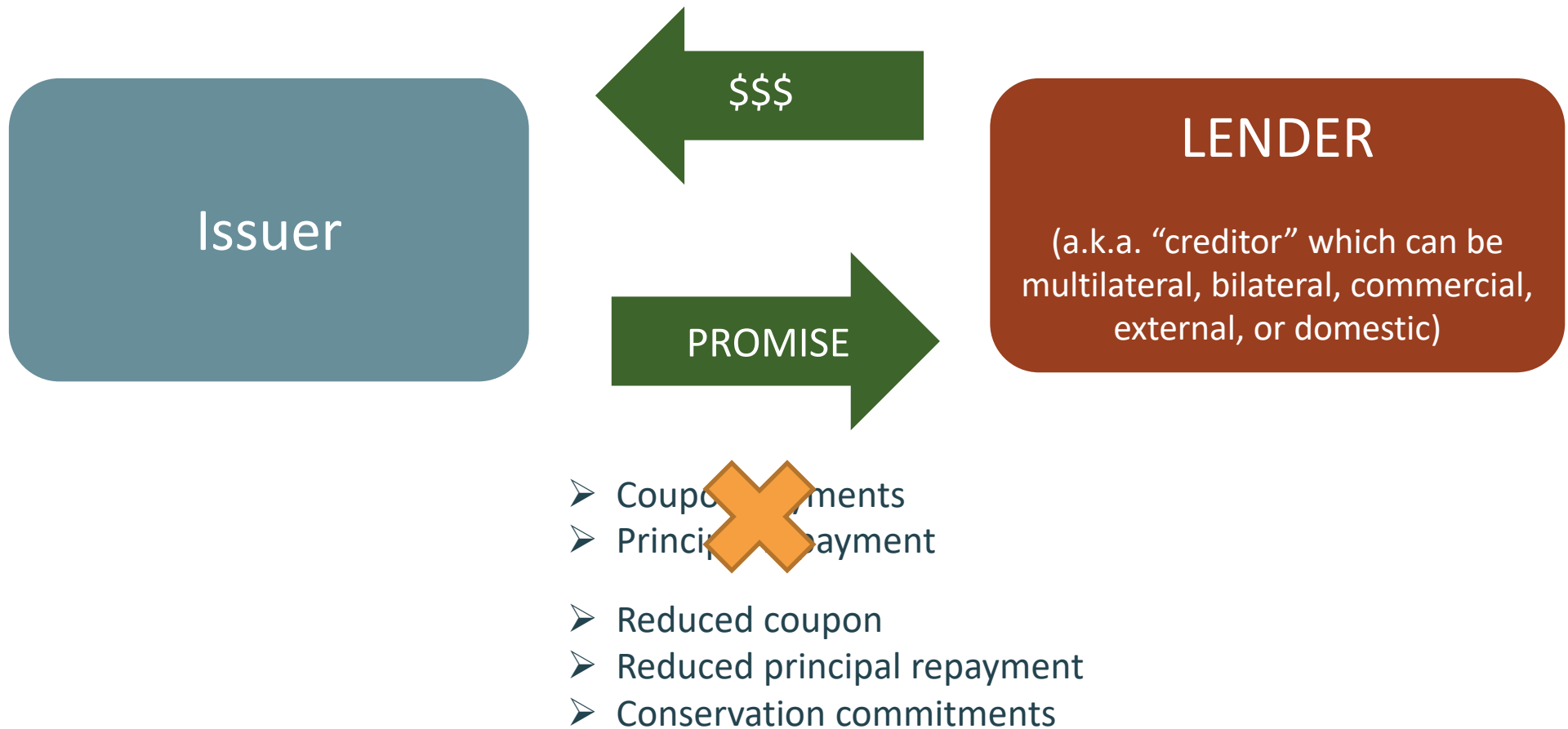


III.

UNPACKING THE FUNDAMENTALS OF A DEBT-FOR-
NATURE SWAP

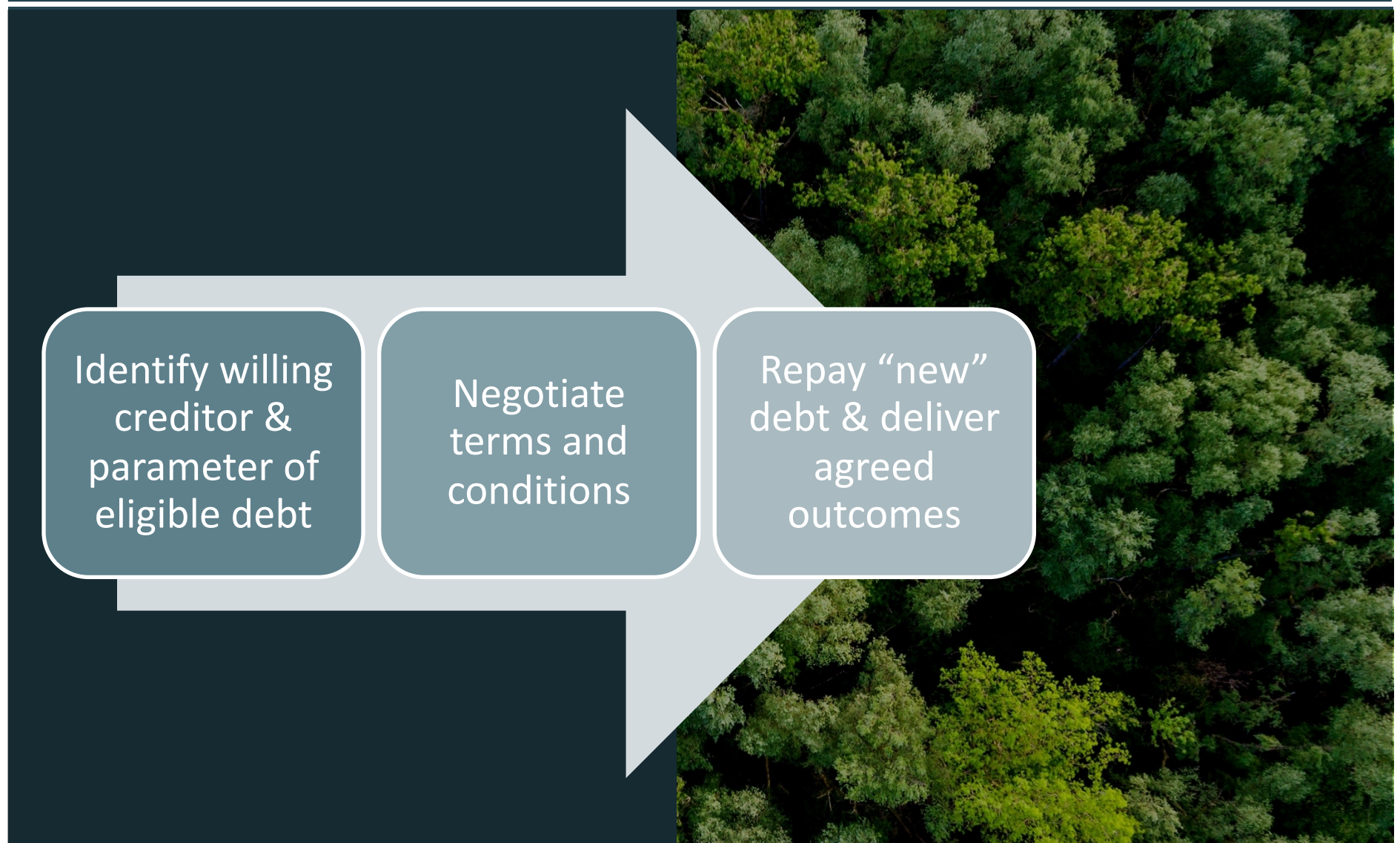
OBJECTIVE

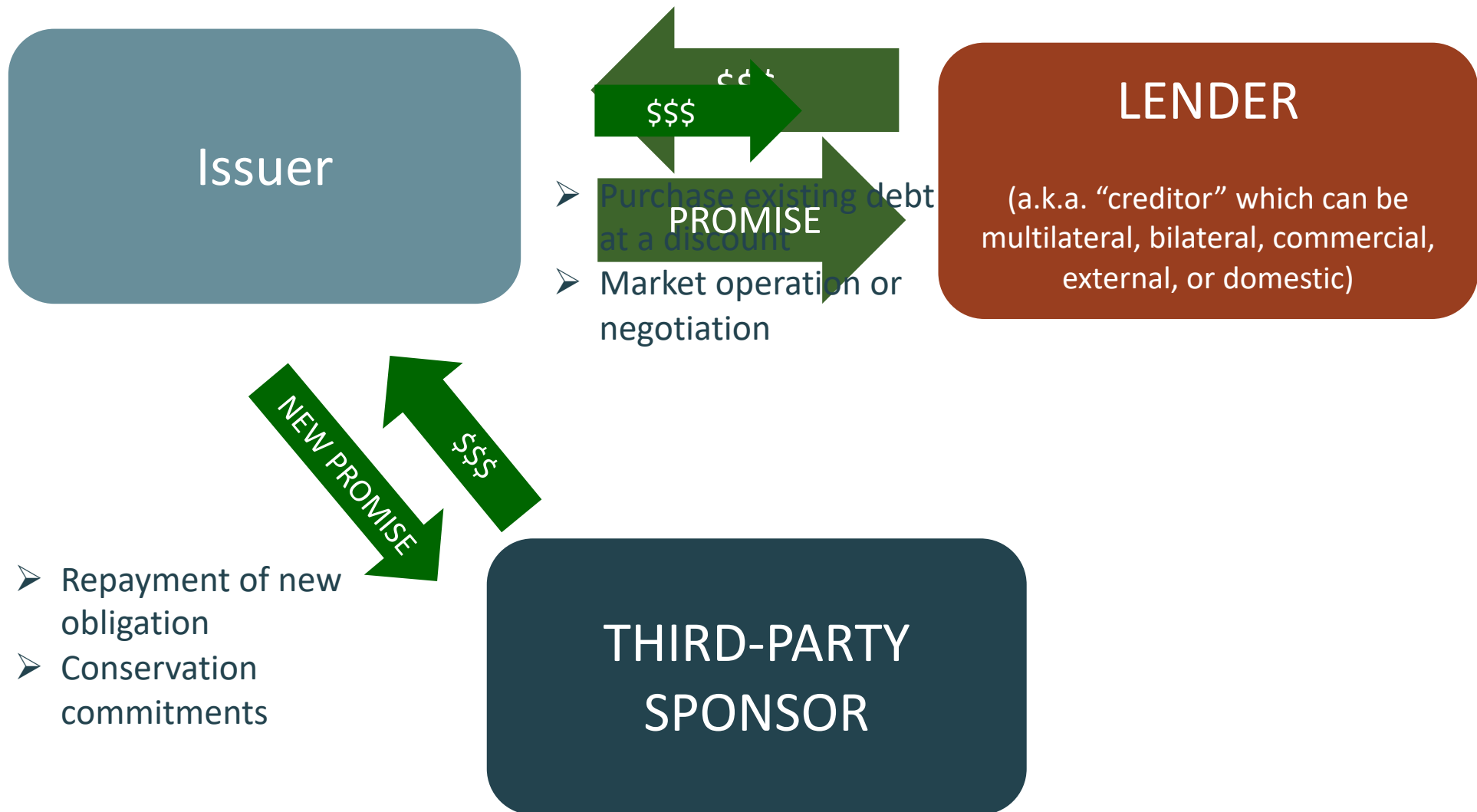
A debt-for-nature swap aims to reallocate part of a sovereign's budget from debt service to conservation



DEBT-FOR-NATURE SWAP – DIRECTLY WITH CREDITOR

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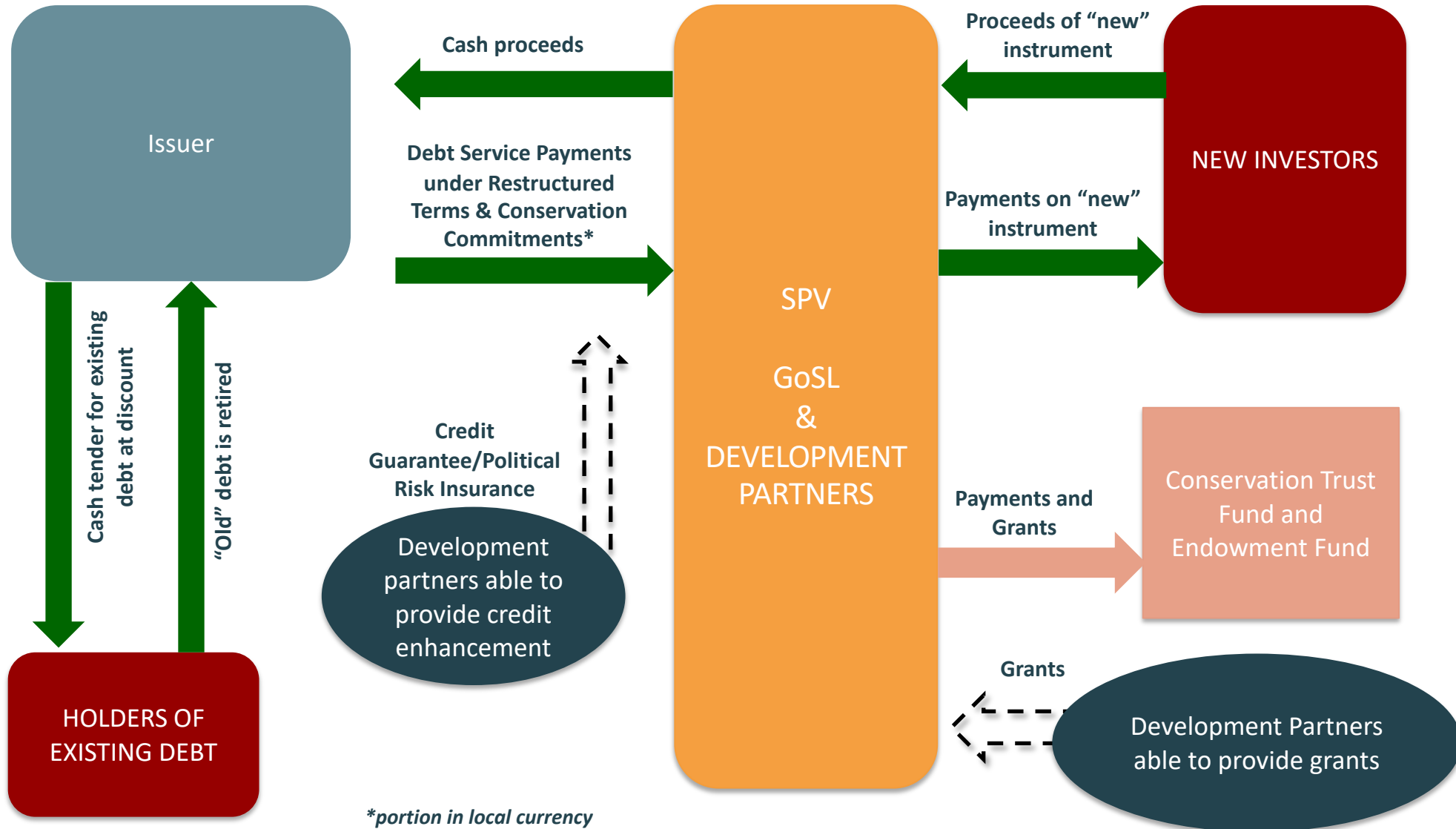


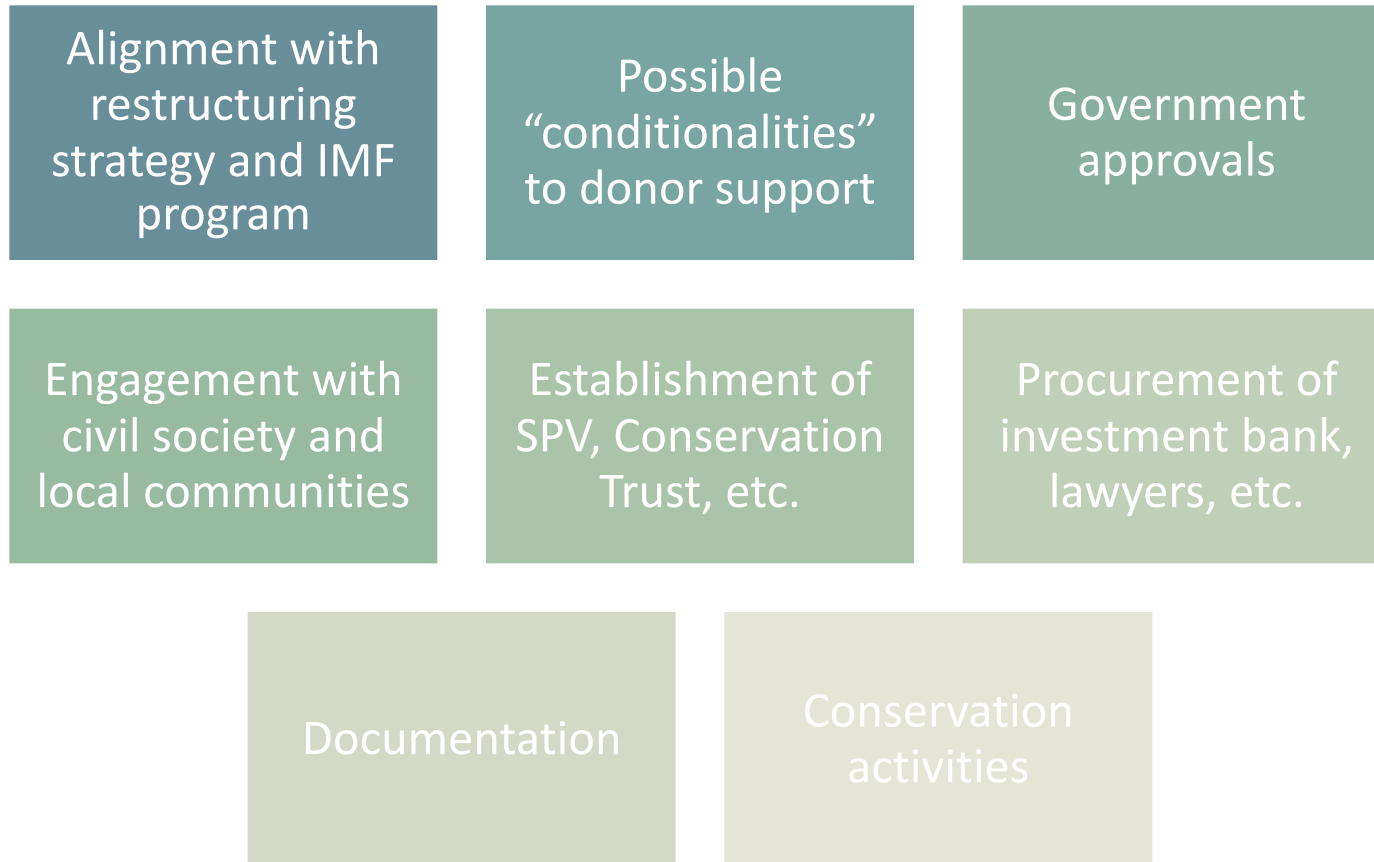


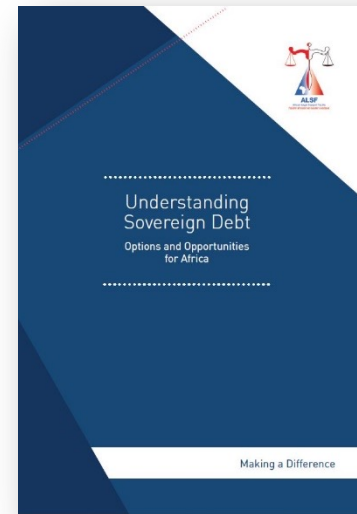
- Repayment of new obligation
- Conservation commitments

THE FULL PICTURE

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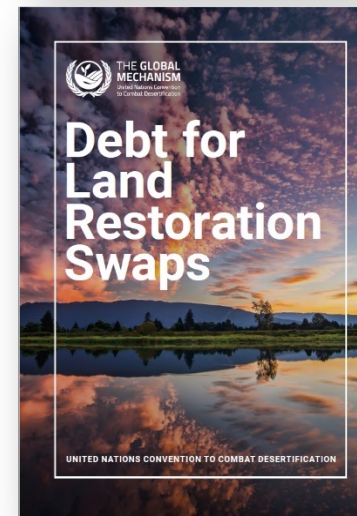




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